

ORIGINAL

*Annual Review
of Base Rates for Fuel Costs of
Carolina Power & Light Company*

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Docket No. 2001-1-E

S.C. PUBLIC SERVICE COMMISSION
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UTILITIES DEPARTMENT

*Testimony of
A. R. Watts
Utilities Department*

Public Service Commission of South Carolina

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4 **TESTIMONY OF A. R. WATTS**
5 **FOR**
6
7 **THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**
8
9 **DOCKET NO. 2001-1-E**
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11 **IN RE: CAROLINA POWER & LIGHT COMPANY**
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14 **Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
15 **OCCUPATION?**

16 **A. A. R. Watts, 101 Executive Center Drive, Columbia, South Carolina. I am**
17 employed by the Public Service Commission of South Carolina, Utilities
18 Department, as Chief of Electric.

19 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
20 **EXPERIENCE.**

21 **A. I received a Bachelor of Science Degree in Electrical Engineering from the**
22 University of South Carolina in Columbia in 1976. I was employed at that time by
23 this Commission as a Utilities Engineer in the Electric Department and was
24 promoted to Chief of the Electric Department in August 1981. I have been in my
25 current position since October 1999. I have attended professional seminars relating
26 to Electric Utility Rate Design, and have testified before this Commission in
27 conjunction with fuel clause, complaint, territorial assignment, Siting Act, and
28 general rate proceedings.

29 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
30 **PROCEEDING?**

31 **A. The purpose of my testimony is to summarize Staff's findings as set forth in the**
32 Utilities Department's portion of the Staff Report.

1 **Q. MR. WATTS, WHAT SPECIFIC AREAS WERE ENCOMPASSED BY**
2 **STAFF'S EXAMINATION?**

3 **A.** The Utilities Department's examination of the Company's fuel operations
4 consisted of a review of the Company's monthly operating reports, review of the
5 currently approved Adjustment for Fuel Costs Rider, and review of the Company's
6 short-term projections of kilowatt-hour sales and fuel requirements.

7 **Q. DID STAFF EXAMINE THE COMPANY'S PLANT OPERATIONS FOR**
8 **THE PERIOD?**

9 **A.** Yes, we reviewed the Company's operation of its generating facilities, including
10 special attention to the nuclear plant operations, to determine if the Company made
11 every reasonable effort to minimize fuel costs.

12 **Q. HAVE YOU DETERMINED THAT ANY SITUATIONS, IN THE REVIEW**
13 **PERIOD, WARRANT DETERMINATION THAT THE COMPANY HAS**
14 **ACTED UNREASONABLY IN OPERATING ITS FACILITIES WHICH**
15 **COULD RESULT IN ITS CUSTOMERS BEING SUBJECT TO PAYING**
16 **HIGHER FUEL COSTS?**

17 **A.** No. The Company's generating facilities, particularly the four nuclear units,
18 operated very well during the period under review. These nuclear units averaged
19 96.5% actual capacity factor for the period. This was achieved even though the
20 system experienced refueling outages at two of the four nuclear units during this
21 review period. The refueling outage at Brunswick Unit 1 was accomplished in record
22 time for the Unit at somewhat less than 28 days. The major fossil units averaged
23 over 95% availability for the majority of the period under review as indicated on
24 Utilities Department Exhibit No. 1.

25 **Q. PLEASE EXPLAIN YOUR CALCULATION OF THE BASE RATE FUEL**
26 **COMPONENT FOR THE PERIOD ENDING MARCH 2002.**

27 **A.** Staff utilized the projected sales and fuel costs for the twelve months ending March
28 2002 and included the under-recovered balance of \$18,627,471 as of December
29 2000 from Audit Exhibit G. We then removed \$4,448,330 from the under-recovered
30 balance to account for the Commission's previously approved amortization of a

1 certain dollar amount over a four year period. This calculation produced a factor of
2 1.517 cents per kilowatt-hour that would be necessary, for the Company to recover
3 virtually all its anticipated and booked fuel expenses, excluding the previously
4 amortized portion. The basic difference between Staff's calculated factor and the
5 Company's proposed base fuel component of 1.522 cents per kilowatt-hour is due to
6 the Audit Staff adjustment to fuel costs of \$387,165. The results of these calculations
7 for various fuel base components are shown on Utilities Department Exhibit No. 10.

8 **Q. WOULD YOU BRIEFLY EXPLAIN THE REMAINING UTILITIES**
9 **DEPARTMENT'S EXHIBITS?**

10 **A.** Exhibit No. 2 shows the Company's Unit Outages for the months of January 2000
11 through December 2000, listing the plants by unit, duration of the outage, reason for
12 the outage, and corrective action taken. Exhibit No.3 lists the Company's
13 percentage Generation Mix by fossil, nuclear, and hydro for calendar year 2000.
14 Exhibit No. 4 reflects the Company's major plants by name, type of fuel used,
15 average fuel cost in cents per KWH to operate, and total megawatt-hours generated
16 for the twelve months ending December 2000. Exhibit No. 5 shows a comparison
17 of the Company's original retail megawatt-hour estimated sales to the actual sales
18 for the period under review. Exhibit No. 6 is a comparison of the original fuel factor
19 projections to the factors actually experienced for the twelve months ending
20 December 2000. Exhibit No. 7 is a graphical representation of the data in Exhibit
21 No. 6. Exhibit No. 8 is the Company's currently approved Retail Adjustment for
22 Fuel Costs Rider. Exhibit No. 9 is a history of the cumulative recovery account.

23 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

24 **A.** Yes, it does.